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Message Text

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14
ACTION EUR-12

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E.O. 11652: N/A
TAGS: ELAB, PINT, FI
SUBJECT: REVIEW OF INCOMES POLICY AGREEMENT

REF: (A) HELSINKI 1978, (B) HELSINKI 2086, (C) HELSINKI 2176

1. SUMMARY: FORMAL DEMANDS BY FINLAND'S LABOR ORGANIZATIONS FOR WAGE INCREASES BEFORE THE EXPIRATION OF THE CURRENT INCOMES POLICY AGREEMENT HAVE MET A NEGATIVE RESPONSE FROM EMPLOYERS AND A COOL RECEPTION FROM THE NEW GOVERNMENT, WHICH HAS TAKEN AN UNENTHUSIASTIC APPROACH TOWARD REVIEW OF THE AGREEMENT. END SUMMARY.

2. FOLLOWING INSISTANCE BY FINLAND'S LABOR ORGANIZATIONS THAT THE INCOMES POLICY REVIEW (REF A) BE HELD SEPARATELY FROM NEGOTATIONS FOR THE NEXT AGREEMENT, THE REVIEW GOT UNDER WAY WITH EMPLOYER ORGANIZATIONS CONTENDING THAT NO WAGE INCREASES SHOULD BE GRANTED AT PRESENT. THE GOVERNMENT, REPRESENTED BY DEPUTY PRIME MINISTER KARJALAINEN (REF B), WHO HAS ELECTED TO USE INFORMAL DISCUSSIONS FOR THE REVIEW, ALSO EXPRESSED OPPOSITION TO WAGE INCREASES. HOWEVER, THE CENTRAL LABOR ORGANIZATIONS PRESENTED FORMAL PROPOSALS FOR WAGE INCREASES, WITH THE PRINCIPAL FEDERATION (SAK) CALLING ON OCTOBER 8 FOR AN INCREASE OF 46 PENNIES
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(388 EQUAL 1 DOLLAR) PER HOUR. THIS WOULD REPRESENT AN

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INCREASE OF ROUGHLY 4 PERCENT, APPROXIMATING THE DIFFERENCE BETWEEN THE CURRENTLY-PROJECTED 11 PERCENT PRICE RISE AND THE 7.5 PERCENT WAGE INCREASE TARGET IN THE JANUARY AGREEMENT. (BUT IGNORING PROJECTED WAGE DRIFT IN EXCESS OF THE TARGET).THE OTHER FEDERATIONS, ENDING WITH AKAVA OCTOBER 14, PRESENTED EQUIVALENT DEMANDS.

3. THE EMPLOYERS REJECTED THESE DEMANDS ON OCTOBER 15. AN EMPLOYERS SOURCE TOLD THE LABATT THAT HTIS REJECTION WILL NOT BE MADE PUBLIC UNTIL AFTER THE MUNICIPAL ELECTIONS OCTOBER 17-18 AT THE REQUEST OF KARJALAINEN. MEAN-WHILE,THE GOVERNMENT'S POSITION HAS BEEN CONVEYED BY SECOND FINANCE MINISTER LIKKANEN (NOW BEING REFERRED TO IN THE PRESS AS MINISTER FOR WAGES), WHO SAID FOLLOWING PRESENTATION OF THE SAK DEMANDS THAT "EXTRA PAY INCREASES THIS AUTUMN WOULD ESSENTIALLY HAMPER THE GOVERNMENT'S EFFORTS TO BEAT INFLATION AND UNEMPLOYMENT."

4.THE MUNICIPAL ELECTIONS HAVE UP TO NOW BEEN A KEY FACTOR IN THE MANEUVERING IN THE REVIEW, AS THE SOCIAL DEMOCRATIC PARTY (SDP) PARTICULARLY IS CONCERNED ABOUT LOSS OF VOTES TO THE COMMUNISTS (REFC). ALTHOUGH NOT UNSYMPATHETIC TO THE NEED TO HOLD THE LINE ON WAGES (REF A), THE SOCIAL DEMOCRATS CERTAINLY HAD THIS ELECTION CONSIDERATION IN MIND WHEN DECIDING TO JOIN THE COMMUNISTS IN ASKING FOR THE INCREASE. MOREOVER, A RECENT HELSINGIN SANOMAT POLL SHOWED THAT 22 PERCENT OF BLUE COLLAR WORKERS ARE DISPOSED TO VOTE FOR NEITHER LEFTIST PARTY BUT TO SUPPORT THE CENTER OR RIGHT, AND THE CENTER PARTY IS UNDERSTANDABLY RELUCTANT TO JEOPARDISE THIS SUPPORT BY FORMALLY REJECTING THE INCREASE PRIOR TO THE ELECTIONS.

4. THESE TACTICAL POSITIONS WILL PROBABLY SHIFT FOLLOW-ING THE ELECTIONS. AT THE SDP COUNCIL MEETING OCTOBER 6 BOTH SDP CHAIRMAN SORSA AND SAK SECRETARY MORRI CALLED FOR A MULTI-YEAR INCOMES POLICY AGREEMENT TO REPLACE THE CURRENT 12-MONTH CONTRACT. WHILE A LONG-TERM AGREEMENT MAY NOT BE FEASIBLE IN THE NEAR FUTURE, IT APPEARS THAT THE SOCIAL DEMOCRATS ARE ANXIOUS TO AVOID LIMITED OFFICIAL USE

THE VIRTUALLY CONTINUOUS NEGOTIATIONS ENTAILED BY THE PRESENT ARRANGEMENT.

6. ALTHOUGH THE COMMUNISTS ARE IN AGREEMENT WITH THE SOCIAL DEMOCRATS ON THE WAGE DEMAND, COMPETITION BETWEEN MODERATE AND STALINIST FACTIONS ON THE ISSUE BECAME EVIDENT OCTOBER 14 WHEN TWO THOUSAND STALINIST-LED METALWORKERS STRUCK IN TURKU. COMMUNIST PARTY CHAIRMAN

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SAARINEN, A MODERATE, ADDRESSED A MEETING CALLED IN CONNECTION WITH THE STRIKE BUT WALKED OUT WITH HIS SUPPORTERS WHEN THE MEETING'S STALINIST MAJORITY VOTED TO DEMAND ONE MARK PER HOUR INSTEAD OF ENDORSING THE SAK POSITION. THES FACTIONAL DISPUTE WILL UNDOUBTEDLY CONTINUE AND COULD AFFECT COMMUNIST-SOCIAL DEMOCRATIC COOPERATION IN SAK FOLLOWING THE ELECTIONS.

7. IN A RELATED DEVELOPMENT, AGRICULTURAL PRODUCERS ORGANIZATIONS HAVE MET WITH THE GOVERNMENT TO DISCUSS FARM INCOMES, ALTHOUGH THIS AREA WAS NOT TO HAVE BEEN INCLUDED IN THE REVIEW PROCESS. HOWEVER,THE AGRICULTURAL SECTMR IS EXPECTED TO PUSH OFR INCOME CHANGES ONLY IF THE LABOR FEDERATIONS ACTUALLY GAIN WAGE INCREASES IN THE COMING WEEKS.
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